

Message Text

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SUBJ: 1978 COTTON EXPORTS TO USSR AND EASTERN EUROPE

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1. 1978 PROMISES TO BE GLOOMY YEAR FOR THOSE EGYPTIAN COTTON YARN AND TEXTILE MANUFACTURERS TRADITIONALLY EXPORTING TO USSR AND OTHER EASTERN EUROPEAN COUNTRIES, ACCORDING TO NABIL AL-NUZAH, PRESIDENT, EGYPTIAN COTTON CONSOLIDATION FUND. NEITHER CZECHOSLOVAKIA NOR EAST GERMANY, AL-NUZAH CONFIDED DURING JANUARY 18 MEETING WITH EMBOFF, HAVE CONCLUDED CONTRACTS FOR SALE OF EGYPTIAN COTTON YARN OR TEXTILES DURING YEAR, ALTHOUGH BOTH COUNTRIES HAVE SIGNED 1978 TRADE PROTOCOLS WITH EGYPT WHICH PERMIT THE EXPORT OF COTTON YARN AND TEXTILES. BOTH ARE TAKING ADVANTAGE OF EGYPT'S CURRENT POLITICAL DIFFICULTIES WITH USSR AND POOR INTERNATIONAL MARKET CONDITIONS TO SQUEEZE LOWER PRICES OUT OF EGYPTIAN EXPORTERS.

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2. AL-NUZAH CONFIRMED INFORMATION REFTEL THAT EMBARGO ON COTTON SHIPMENTS TO CZECHOSLOVAKIA AND SOVIET UNION APPLIES ONLY TO RAW COTTON AND THAT EGYPT EXPECTS TO SELL COTTON YARN AND TEXTILES TO BOTH COUNTRIES. HE OBSERVED, HOWEVER, THAT AS RESULT PRESSURE TO REDUCE PRICES, CZECHOSLOVAKIA AND EAST GERMANY ARE NOW ACTUALLY CONDUCTING INFORMAL EMBARGO OF THEIR OWN AGAINST IMPORT

OF THOSE EGYPTIAN COMMODITIES. EAST GERMAN DELEGATION IS CURRENTLY IN CAIRO FOR NEGOTIATIONS WHICH WILL DETERMINE 1978 CONTRACT PRICES. CZECHS ARE, OF COURSE, WATCHING THESE NEGOTIATIONS CAREFULLY AND EGYPTIANS FEEL THEMSELVES UNDER INTENSE PRESSURE. AL-NUZAHY SAID THERE IS OBVIOUSLY LIMIT TO PRICE REDUCTIONS EGYPTIANS WILLING TO MAKE TO SELL GOODS; HE PREDICTED SOME SIGNIFICANT STOCKPIILING FOR PUBLIC SECTOR COMPANIES ENGAGED IN THE EAST EUROPEAN TRADE.

3. REGARDING TRADE WITH USSR,AL-NUZAHY SAID THAT ATTEMPT TO STRIKE DEAL IN WHICH COKING COAL FROM USSR WOULD BE EXCHANGED FOR COTTON YARN HAD FALLEN THROUGH (SEE REFTTEL). SOVIETS TURNED EGYPTIAN OFFER DOWN COLD. AS FAR AS HE IS AWARE, THERE IS CURRENTLY NO REPEAT NO TRADE OF ANY KIND BETWEEN EGYPT AND TTE SOVIET UNION AND NO PROSPECT FOR CONCLUSION OF A BILATERAL AGREEMENT IN THE NEAR FUTURE. HE DESCRIBED SOVIETS WITH WHOM HE HAS BEEN IN CONTACT AS "FURIOUS" OVER EGYPTIAN COTTON EMBARGOES. AL-NUZAHY SAID EGYPTIAN COMPANIES STAND TO LOSE LE 60 MILLION IN SALES AS THE RESULT OF DISPUTE WITH USSR.

4. REGARDING 1977 COTTON CROP, WHICH IS RUMORED TO HAVE BEEN OF VERY LOW YIELD, AL-NUZAHY PROVIDED FOLLOWING STATISTICS WHICH HE OBTAINED FROM MINISTRY OF AGRICULTURE RECENTLY:

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-	1976	1977
TOTAL COTTON HARVEST	8.7 M KANTARS	7.8 M KANTARS
INTERNAL CONSUMPTION	5.5 M KANTARS	6.0 M KANTARS
AVAILABLE FOR EXPORT	3.2 M KANTARS	1.8 M KANTARS

(NOTE: ONE KANTAR EQUALS 50 KG OF COTTON LINT.)

5. ACCORDING TO RECENT REPORTS,WHICH AL-NUZAHY CONFIRMED, ALL OF RAW COTTON AVAILABLE FOR EXPORT FROM THE 1977 CROP (AND WHICH IS TO BE SHIPPED THRU SPRING 1978) HAS BEEN SOLD, WITH NONE GOING TO USSR OR CZECHOSLOVAKIA. PRESS RECENTLY MENTIONED THAT PRC AMBASSADOR AND MINTRADE TEWFIQ CONCLUDED DEAL FOR SALE OF FINAL LOT OF 1977 CROP. IN WHAT SEEMS TO HAVE BEEN OBVIOUS POLITICAL MOVE, PRC REPORTEDLY AGREED TO PAY PRICES PREVAILING IN APRIL 1977, WHEN MARKET WAS STRONGER.

6. COMMENT: ABOVE DATA ON 1976 AND 1977 CROPS ARE ROUGHLY IN LINE WITH INFORMATION PREVIOUSLY AVAILABLE, GIVEN STATISTICAL UNCERTAINTIES IN EGYPT, EXCEPT FOR 1977 EXPORT AVAILABILITY TOTAL. THIS FIGURE IS LESS THAN ONE-HALF MOST RECENT (DECEMBER 1977) ESTIMATES

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